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MAY 1983

Commercial Carrier Journal...

for Private Fleets & For Hire Trucking

Jim Dermody

MAINTENANCE EXECUTIVE OF THE YEAR

Also: Point – Counterpoint:
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Commercial Carrier Journal

Published As Commercial Car Journal Continuously Since 1911
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VOLUME 140 NUMBER 5 MAY 1983

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Pages of pictures and new product descriptions covering everything from glow plugs to Class 8 heavies. Page 96.

Irregular Route and Contract Carrier Conferences of ATA merge
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BUSINESS MAGAZINES/MARKETING SERVICES/BOOKS

COMMERCIAL CARRIER JOURNAL (ISSN 0734-1423), one of the publications owned by CHILTON COMPANY, is published monthly at Chilton Way, Radnor, Pa. 19089. Chilton Co. is a division of American Broadcasting Companies, Inc.. New York, N.Y. Subscription price: United States and its possessions $30.00 a year; single copies are $3.50 a copy with the exception of special issues (April, June, October) which are $6.00 each. Canada and all other countries are $65.00 a year, payable in advance. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. Title registered in U.S. Patent Office. Postmaster: Send form 3579 to Commercial Carrier Journal, Box 2045, Radnor, Pa. 19089.

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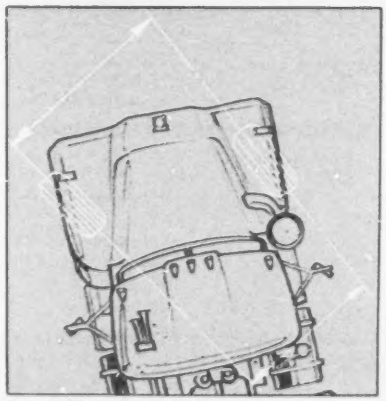

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EDITORIAL STAFF

Editor-in-Chief:
GERALD STANDLEY
(215) 964-4513

Senior Editor:
RICHARD CROSS
(215) 964-4517

Feature Editor:
JAMES GALLIGAN
(215) 964-4529

Technical Editor:
BILL TRACY
(215) 964-4519

Chief, Washington Bureau
NEIL REGEIMBAL
(202) 393-3474

Washington Editor:
LEO ABRUZZESE
(202) 393-3474

Executive Editor:
CARL GLINES
(215) 964-4518

Western News Bureau:
KEN MAC DONALD
(415) 474-8532

JIM NOBLE
(408) 997-3650

Labor Columnist:
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Directories/Special Projects:
DOROTHY DI NUNZIO
(215) 964-4514

Reprints/Clerical:
JACKIE DISCHERT
(215) 964-4530

Publisher/Editorial Director:
CARL W. LOCK
(215) 964-4511

Associate Publisher:
GEORGE HUTTER
(215) 964-4510

Director Industry Projects:
EDWARD SHEA
(215) 964-4515

Copy Editor/Production Supervisor:
CAROLE SMITH
(215) 964-4524

Art Director:
EDWIN DAHL
(215) 964-4003

Contributing Editors:
BERT GOLDRATH
LEON WITCONIS
ERNEST KALLMAN, Ph.D

EDITORIAL OFFICES:
Chilton Way, Radnor, Pa. 19089

REGIONAL EDITORIAL OFFICES:

Washington, D.C. 20045
1093 National Press Bldg.,
202-393-3474

Detroit, Mich. 48202
2600 Fisher Bldg.,
3011 W. Grand Blvd.
313-875-2090

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- *Who* is making specific decisions?
- *Why?*

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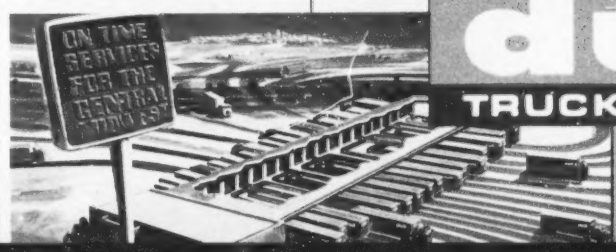

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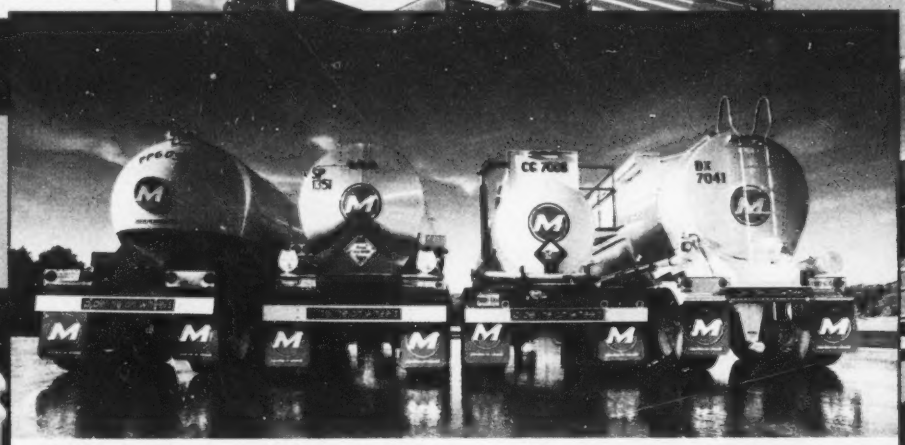

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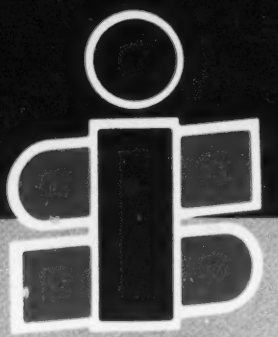
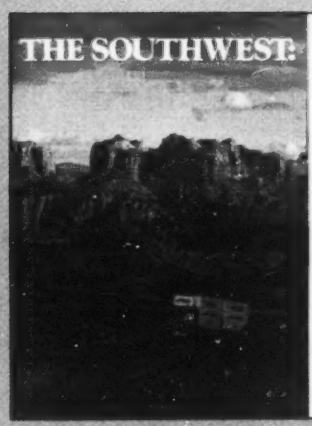
And Matlack equipment is clean. Assoc and

out. All 40 of our 70 terminals, interior and exterior cleaning, is performed by skilled crews using the most up to date cleaning systems available. Clean tanks assure product integrity and reduce the risk of contamination. Clean lanes also protect a positive sales image that keeps your sales force happy and customers coming back.

...et us develop a package tailor made to your requirements. We'll show you some of the progressive ace options you have when you e...





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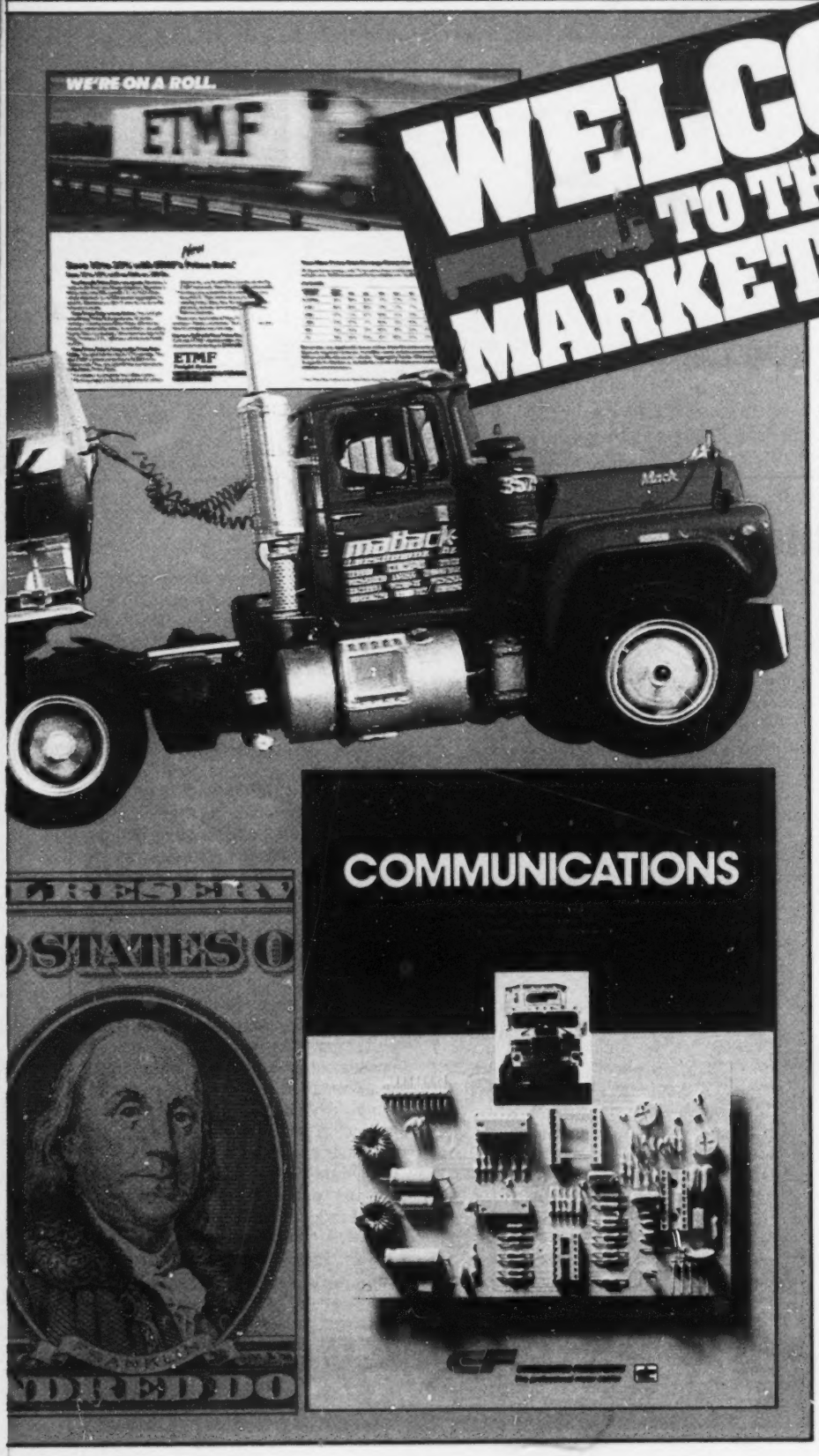

WELCOME TO THE MARKETPLACE

You can offer the best service in the world, but if you don't advertise the fact, you are wasting your time. CCJ takes a look at the changes in marketing and advertising through the eyes of four carriers whose different experiences show the pitfalls and successes that are facing for-hire trucking in the marketplace of today.

By **JIM GALLIGAN,** *Feature Editor*

"*Nobody cares if you have authority west of the Mississippi; everyone does. It's how you sell yourself that counts.*"—Nancy Burns, executive director of the Sales and Marketing Council of American Trucking Associations.

Matlack, the nationwide bulk hauler headquartered in suburban Philadelphia, was traditionally a well run, profitable carrier with a penchant for keeping a low profile. Matlack studiously avoided publicity, preferring to quietly go about its business of making money. Its one concession to publicity was to call itself the "Pipeline on Wheels."

Times change. Last year, despite a 21% drop in revenues to $158 million, the company hired a marketing and advertising firm, increased its sales and marketing budget "by the high six figures," according to Robert Shertz, president, and initiated a nationwide advertising campaign. Gone

Continued

is reliance solely on the "Pipeline on Wheels" slogan, replaced by a frontal assault of public relation releases, direct mail inquiries and magazine advertising.

Back in 1978, Interstate Freight System, Grand Rapids, Mich., was heading for tough times, whether management knew it or not. That year was the last profitable one Interstate had, with after tax income of $7.1 million on revenues of $222 million. Its operating ratio was 95.6, and the company had enough money to start Direct Transportation System, LTD, a Canadian subsidiary.

Interstate's market was the northern midwest and northeast with 18 of the top 20 manufacturing states and 76% of the manufacturing plants in its area. With deregulation and the ensuing recession hitting their main market, Interstate began a slide that produced a $14.1 million loss in 1980 and an operating ratio of 105.6.

Such losses would have called for retrenchment, if they occurred in pre-deregulation days.

Instead, the company decided the best way to turn things around was to go on the offense. And although 1982 revenues were down about 21% from '81, the company has expanded linehaul operations south and west, two areas it had ignored. It brought in a new vice president of sales and marketing last June and is now spending between 3½% and 5% of its expenditures on sales, marketing and advertising.

Marketing in the trucking industry, especially the for-hire sector, is so new that no one knows who is doing it and how much they are spending. The only index ATA has is the growing attendance at their sales and marketing seminars plus a doubling in the council's membership to 700, said Nancy Burns, ATA marketing counselor. These are the indications that "marketing is finally reaching the level of importance in trucking that it has had for years in private industry," she said.

Finding your niche

In the series of interviews conducted for this article, one thing stands out when it comes to knowing what for-hire carriers need to begin an advertising program: know your market. All the advertising money and sales support is meaningless if the carrier doesn't know what market to sell its service to. It sounds elementary, but it is the foundation of all successful operations.

Getting there requires research—internal and external. In the process, a lot of companies get a much different picture of themselves than what they originally thought.

Figuring out where you want to go can be enlightening, especially if the company has not formalized its goals in years. The smart companies, according to Alex Thompson, owner of Management Resources Associates, Yardley, Pa., start with a long-range set of goals. Matlack, for example, has a five-year plan to grow 150% from 1982 levels, according to Robert Shertz, president. That means gross revenues of about $500 million. They expect the growth to come from sales and acquisitions which translates to growth in market share, not necessarily growth in the bulk hauling market.

After your company has set its objectives, you need to analyze your situation to figure out how you're going to reach your goals. This means analyzing your present customers. "It requires a lot of for-hire carriers to go back to their corporate mission and policy," Thompson explained. "They have to take themselves apart and see what they have been doing."

This means looking at their customers and their freight. Which businesses are high volume? Which are more costly? Look at the shipper's business. Is one making buggy whips while another makes high-tech consumer items? What are their respective futures? Take the markets apart, break them down into comparable segments and get a look at where your business is really coming from.

Research and marketing analyses are based on four fundamental strategies, Thompson said: product (in this case it's your service); price; promotion compared with competition; and distribution. Analyze each market segment with these four guidelines. "You should be figuring out if your strategies in each market were sound," Thompson said. "If not, get rid of them."

Most of the answers to these questions are already in your company files. Thompson's advice is to look inside the company first, at your own records, before considering going outside for help.

You may be reluctant to call in an outsider to analyze your situation, but Thompson contends that an outsider will bring four things into the research that the company could never provide.

The first is objectivity. "A company just can't be objective about itself," he said. "Everyone has a position to protect, and they can't be objective about analyzing themselves." Second, an outside marketing firm will get better, more honest answers because the respondents won't know who is asking the questions and, therefore, won't give biased answers. The reverse is important, too, Thompson said. Third, an outside firm can guarantee anonymity to the respondents. Finally, if the research is being done by company personnel, they may get nervous and begin wondering what internal changes may be coming.

In looking for a marketing firm to handle research, trucking experience is not necessarily a must, Thompson said. "Find someone with experience in what you want done, not necessarily experience in your field." It's more important that they know how to get the information you want rather than to know what it is. But go to someone involved in industrial marketing, not consumer marketing.

Outside of the local telephone book, there are several sources with lists of industrial marketing research firms. The American Marketing Association, 250 South Wacker Drive, Suite 200, Chicago, Ill. 60606 publishes a directory of marketing firms by vocation. The New York City chapter of the AMA also publishes a directory called the Green Book.

Importance of market research

There has been a lot of expansion since 1980. Roadway, Consolidated Freightways and all of the major nationals have opened terminals and expanded their territories. And almost everyone else has, too. But there is still a lot of over capacity in the market caused in part by the recession and deregulation. Even as the economy improves, it's questionable how much of that market pie will be available for everyone. Sooner or later, some companies will be left without a piece at all.

That is the reason for market research (see box). Find the right niche for your services. "I think a lot of companies are still trying to identify their niche," said Marty Hymes, vice president of marketing for Matlack. "Some are trying to be what they aren't. The most important thing for a carrier is to decide what its business is, then develop that," he said.

"You can't over emphasize the importance of market research, especially in expansion," Shertz said. "Some carriers expand just to pick up revenues rather than expanding into sensible markets." The result of some unwise moves is that you will be priced out of that market, he said.

Market research told Matlack several things, Shertz said. One was that most of their potential customers saw all bulk carriers as essentially the same. So Matlack's advertising campaign emphasizes nationwide delivery and related services, Shertz said. The company also learned they were not as well-known in the southeast and south as management thought. So the company opened eight terminals there last year.

Surveys and market research performed a similar task for Interstate System. Robert Olterman, senior vice president of sales and marketing, said the company did not necessarily need extensive customer surveys to realize it had an identity problem. Interstate was perceived as being an in-between size—neither a national carrier nor a regional one. The recession had killed most of its market in the northeast. "Interstate had some operations in the south," Olterman said, "but it operated mainly in the northeast with more than 50% of its business located there. We had to get IMFS out of the posture as a regional carrier in order to expand.

So the company did research to find out where to expand, Olterman said. Based on the results of that research they have established piggyback service over six rail lines from Kansas City to 27 service centers and cartage agents in five western states. They have also added 30 more service centers in five southern states. The goal, Olterman said, is to be a truly nationwide carrier.

But for every case of big buck research studies and planning, there is probably another success case where just the opposite was true. Bishop Motor Express, Grand Rapids, Mich., is one example.

Three years ago, the company was featured in CCJ as an example of a small cartage agent that survived by running used equipment, keeping overhead costs minimal and working in a specific niche of the market: service to rural Michigan. Annual revenues were about one million. Though it offered nationwide connections via national carriers, it had only one terminal, and its own routes were no longer than 50 miles.

But time and change have not escaped Bishop Motor Express. The company recently opened a terminal in Chicago, its eighth one. It is serving eight states with direct service to the twin cities of Minneapolis/St. Paul, Atlanta and stops in between. It has approximately 50 power units, mostly one- and two-year-old Freightliners bought new and about 100 trailers, including 30 27-ft pup trailers that will be used in doubles operations. Gross revenues have tripled in three years to over $3 million dollars.

Ironically, if things have been good for Bishop Motor Express, it seems to be because of all the "old" pre-deregulation reasons. The company didn't spend money for market research or analysis. It didn't bring in a consultant to tell the company where to ex-

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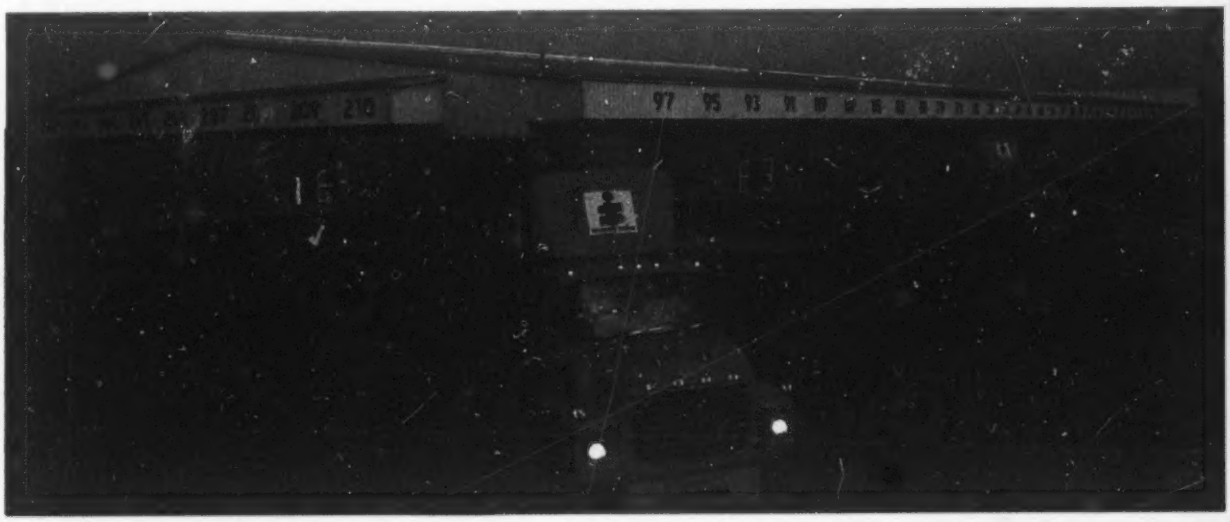

pand. It expanded where it did because management was familiar with the area, the shippers, where the potential business would come from and where it was going. Then, according to Cornelius Bishop, president, the company went out and gave the customers the service they wanted. Ironically, one reason given for Bishop's increased business is that Associated Truck Lines, a subsidiary of ANR Freight System, Detroit, which had a large presence throughout Michigan, has reportedly closed down several rural terminals. "It's not that they don't serve the area anymore," Bishop said, "but they don't have the physical presence they once had." Without that presence, he said, local shippers felt no loyalty and so they switched to a carrier that still had a presence in the area.

Changing salesman

A pre-deregulation salesman tended to come from within the company and had extensive product knowledge, but the art of selling, *per se*, wasn't emphasized. The trend among the big fleets now is to hire professional salesmen with the ability to influence and persuasively convince customers of a fleet's special value in a competitive environment. Then they give them intensive product training to pick up information on the industry. "Salesmanship is the number one criteria we look for in new salesmen," Olterman, of Interstate, said. "We're teaching more probing skills today than ever before, as well as negotiating ability."

Matlack has apparently changed their recruiting stance, too. "We're looking for a high-drive individual," Shertz said. "Prior to 1980 salesmen were less concerned with their profile and their ability to influence people than they were with product knowledge. But now the salesman has to look at a customer's total distribution situation and put it together."

There are also more people out there selling so the trucking companies have to increase their sales forces. Interstate System has between 140 and 150 salesmen and agents, Olterman said. Matlack increased its sales force to 38 from 18 and wants to add two more, according to Chip Rawson, vice president of operations.

Donald Scranton, vice president of marketing for Duff Truck Lines, Lima, Ohio, agrees that since the nature of the for-hire sector has changed so has the role and needs of the salesman. "For-hire trucking is more time demanding now than before deregulation; there is more personal contact with major customers, and negotiations are more important now than in the past," he said. Because of the industry competition, Scanlon believes the salesman will be one of the main reasons for a fleet's survival. "A strong marketing and sales force now will see a carrier through turbulent times and leave it a much stronger organization for the future when the economy turns around," Scanlon said.

Marketing does not exist in a vacuum. Its purpose is to define the fleet's customers, highlight the specialties of the fleet and give the salesmen ammunition when trying to sell the services. There has to be coordination between marketing and sales. "Once the company has identified its goals and knows what product it wants to sell," Burns, of ATA, said, then give that information to the salesmen for direction and contacts, instead of the shotgun effect you get when they go out and just contact any business in their territory.

Advertising

The most visible change in trucking has been in advertising (see box). In 1982 for-hire carriers ran a total of 627 pages of advertising in the four trade journals: *Distribution, Handling & Shipping, Traffic Management* and *Traffic World*. That number represents a 228% increase over total pages in 1981 (191) and a 275% increase over 1980's 167 pages. In an era of intense competition, the best

and most pervasive image counts for a lot.

"Advertising is important, not because it sells loads," Shertz said, "but because it serves as an introduction to the salesman. It gives the customer exposure to the company that he didn't have before."

Interstate started its advertising campaign in 1981 with 57 pages, Olterman said. Total pages were down last year though as evidenced by the 12 total pages in the four trade journals mentioned above.

Interstate wants to be known as a national carrier. To be successful, they need a nationwide image. "When you think of the national companies you think of six or seven truly national carriers," Olterman said. "We want to be sure we're in that six or seven companies people think about." So the company has directed its advertising and direct mail efforts at national accounts. They are also trying to pick up traffic from the private carrier. "At some point in the private carrier's distribution system the company is going to need the service of an LTL carrier. Interstate wants to be that carrier," Olterman said.

Duff Truck Lines, on the other hand, feels its niche is as a regional carrier. Duff ran 11 pages last year in those four journals. The advertising sells Duff's LTL distribution and consolidation service to 2000 midwest communities

Judging the results

"Market share is the key index of how well you're doing," Olterman said. That is another new gauge truckers have to get used to. As they expand and move into new markets, their customer base gets broader. It is difficult for an LTL carrier whose business comes from a homogenous mix to know which traffic makes money and which doesn't.

"We now have to look at how well we're doing in individual markets," he said. "Previously, we used to look only at the total picture." It may be easier for a bulk carrier. Their product is more specialized and it is easier to see where they are in relation to their competition. Matlack had about 7½% of the bulk industry's $221 billion in revenues in 1981. Shertz said the company increased its share last year by expanding into the south and Pacific northwest.

The lesson of the '80s so far is that companies must learn they can't be everything to everybody, as Burns said. If expansion is solely for the sake of revenue without sensible moves, then any shifts in the economy and changing trends in transportation modes will catch the carrier with a shrinking customer base and no money to readjust. The truckers are now on their own. Since there is no more rate and authority protection from the government, the consensus is that it is imperative that the companies know where they are going. "It's the smart companies," Burns, of ATA said, "that were out there, though times were tough, putting money into sales and marketing departments. They're the ones that will survive.

Top 1982 For–Hire Advertisers

Company	Total Pages	Cost
I U International Phila., Pa.	67	$210,829
Leaseway Corp. Cleveland, Oh.,	49.75	$154,528
Carolina Freight Carriers Cherryville, N.C.	42	$136,585
ABF/ETMF Fort Smith, Ark.	38	$123,943
Consolidated Freightways Menlo Park, Calif.	35	$116,962
Pilot Freight Carriers Winston-Salem, N.C.	31	$101,744
Transcon Lines Los Angeles, Calif.	30	$96,771
ANR Freight System Detroit, Mich.	28	$82,628
APA Transport North Bergen, N.J.	19	$67,370
McLean Truck Co. Winston-Salem, N.C.	26	$60,502
Lee Way Motor Freight Oklahoma City, Ok.	19	$56,693

Listed above is a compilation of 1982's 11 most frequent for-hire motor carrier advertisers in the following four trade magazines: *Distribution, Handling & Shipping, Traffic Marketing* and *Traffic World*. The costs are conservative estimates based on charges for a one page, black and white ad (one time rate) as listed for each magazine in the March 1982, Standard Rate & Data Service, Inc. (SRDS) book. Most advertisements are full color so a more accurate cost would probably be higher. This does not represent total advertising expenditures. Consolidated Freightways, for example, spent more than $950,000 last year, according to the 1982 Rome Report.

Carriers with strong marketing programs are stripping market share away from carriers with weak programs.

Increased competition, new markets mean carriers must expand their marketing efforts to survive.

Recruiting or retaining marketing/advertising professionals, performing market research, developing more sophisticated sales efforts are expensive, but necessary items helping previously non-marketing oriented companies to compete in a more hostile business environment.

Management Bottom Line

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